

Reinvigorating Right to Buy - New build options

Option 1 - LCC retains receipts and undertakes New Build

TABLE 1 - Revenue Implications Year 1

Notes	1	129	Assumptions
No of units			new properties for affordable rent .
	£	£000	
Income			
Affordable Rent	-5,674	-732	Based on 80% of market rent for a 3 bed house as per CBRE report.
Expenditure			
Management	506	65	From HRA Business Plan
Maintenance	860	111	From HRA Business Plan
Bad debts and voids	170	22	Based on 1.5% voids and 1.5% bad debt in line with current targets
Borrowing costs	4,200	542	New build cost assumed at £120k. Borrowing = 70% (£84k) of cost in line with guidance. Cost of borrowing = 5% (as per HRA Business Plan) Land assumed to be free.
Net cost /(benefit) of New Build	63	8	
Offset by loss of rental income/savings :			Reduction of £1.6m borrowing - debt associated with additional sales. Based on average debt per dwelling as per Self financing model.
Reduction in borrowing	-621	-81	
Reduction in Management	-506	-66	131 additional units sold
Reduction in Maintenance	-860	-113	131 additional units sold
Reduction in bad debts and voids	-170	-22	131 additional units sold
Loss of rental income	3,348	439	131 additional units sold
	1,190	156	
Net cost/(benefit)	1,254	164	

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TABLE 2 - Impact on Debt Cap

	£000	
Debt cap under Self Financing	721,327	As per Final Settlement
Current HRA borrowing @	700,000	To be confirmed at 2011/12 closedown
Repayment of £1.6m	-1,626	Debt associated with additional sales in year 1
Additional borrowing Year 1	10,872	Borrowing required to fund 70% of cost of New Build properties
HRA borrowing at end of Year 1	709,246	Assumes no additional debt repaid and borrowing only increased to fund New Build
Repayment of £1.6m	-1,626	Debt associated with additional sales in year 2
Additional borrowing Year 2	10,872	Borrowing required to fund 70% of cost of New Build properties
HRA borrowing at end of Year 2	718,491	Assumes no additional debt repaid and borrowing only increased to fund New Build

NB - after 2 years of New Build (258 properties) would be very close to current debt cap.